

## **The complaint**

Miss M complains that Madison CF UK Limited (“118 118 Money”) lent to her in an irresponsible manner.

## **What happened**

Miss M was given a loan by 118 118 Money. It was for £1000 and was due to be repaid over 24 months. Miss M took this loan out in June 2016 and the monthly repayment would be £80.28.

Miss M's complaint has been assessed by one of our investigators. He thought that the checks 118 118 Money had carried out had been proportionate. He also concluded that it had made a fair lending decision.

Miss M didn't agree with our investigator. She provided bank statements to support her complaint that 118 118 Money lent to her irresponsibly.

So, as the complaint hasn't been resolved informally, it has been passed to me, an ombudsman, to decide. This is the last stage of our process. If Miss M accepts my decision it is legally binding on both parties.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our approach to unaffordable/irresponsible lending complaints on our website and I've kept this in mind while deciding Miss M's complaint.

The rules and regulations at the time 118 118 Money gave these loans to Miss M required it to carry out a reasonable and proportionate assessment of whether she could afford to repay what she owed in a sustainable manner. This assessment is sometimes referred to as an “affordability assessment” or “affordability check”.

The checks had to be “borrower” focused – so 118 118 Money had to think about whether repaying the credit sustainably would cause difficulties or adverse consequences for Miss M. In practice this meant that 118 118 Money had to ensure that making the repayments wouldn't cause Miss M undue difficulty or adverse consequences. In other words, it wasn't enough for 118 118 Money to simply think about the likelihood of it getting its money back, it had to consider the impact of any repayments on Miss M.

Checks also had to be “proportionate” to the specific circumstances of each loan application. In general, what constitutes a proportionate affordability check will be dependent upon a number of factors including – but not limited to – the particular circumstances of the consumer (e.g. their financial history, current situation and outlook, and any indications of vulnerability or financial difficulty) and the amount / type / cost of credit they are seeking. In light of this, I think that a reasonable and proportionate check ought generally to have

been *more* thorough:

- the *lower* a customer's income (reflecting that it could be more difficult to make any repayments to credit from a lower level of income);
- the *higher* the amount due to be repaid (reflecting that it could be more difficult to meet higher repayments from a particular level of income);
- the *longer* the period of time a borrower will be indebted for (reflecting the fact that the total cost of the credit is likely to be greater and the customer is required to make repayments for an extended period).

There may also be other factors which could influence how detailed a proportionate check should've been for a given application – including (but not limited to) any indications of borrower vulnerability and any foreseeable changes in future circumstances. I've kept all of this in mind when thinking about whether 118 118 Money did what it needed to before agreeing to lend to Miss M.

118 118 Money gathered some information from Miss M before it agreed to lend. It asked Miss M about her income and expenditure. It carried out a credit check and used this to work out her credit commitments. It also carried out what it called an 'affordability report' on Miss M.

Miss M was entering into a significant commitment with 118 118 Money. She was agreeing to make monthly repayments for a period of two years for £80.28. So, I think it is right that 118 118 Money wanted to gather, and independently check (through the credit search), some information about Miss M's financial circumstances before it agreed to lend to her. I think that the checks it did achieve that aim. I think on balance its checks were proportionate. It was Miss M's first loan with 118 118 Money and based on what it gathered, I think it was enough information in order to inform its decision to lend on this occasion.

But simply performing proportionate checks isn't always enough. A lender also needs to react appropriately to the information those checks show. So, I've looked at the information 118 118 Money gathered from Miss M to check whether I agree it was appropriate for her to be given the loan.

I can see that 118 118 Money had used Miss M's declaration that her income was £1200. It could see that Miss M would have had enough disposable income to comfortably afford the loan repayments based on the expenditure that Miss M declared also. I have checked the credit search results that 118 118 Money would have had in front of it and also the results of its affordability report. The results were basic but didn't show any thing that would have caused it concerns. I can see Miss M had a default, but the balance had been paid off and I can see that she had done this over a year before she asked for this loan. Miss M had also recently taken out a short-term loan. But I agree with our investigator, when he concluded that at this stage, this was a one-off amount to be repaid. From the information it gathered from its checks, I think it would have been apparent to 118 118 Money that the loan was affordable and there was nothing that it would have had in front of it that would have shown it Miss M was struggling to manage her finances. Or anything that would have given it concerns that she couldn't repay the loan in a sustainable way.

Miss M has provided her bank statements that cover the period of time leading up to the loan application and I can see that regular gambling transactions on there. But, like our investigator, I don't think on this occasion 118 118 Money needed to carry out further checks that would have uncovered this, when it agreed to lend for the reasons I have already given.

So, overall, I think 118 118 Money carried out proportionate checks. In addition, with the information it had in front of it, I think it also made a fair decision to lend. So, I don't think 118 118 Money was wrong to give the loan to Miss M.

### **My final decision**

My decision is that I do not uphold Miss M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 6 December 2021.

Mark Richardson  
**Ombudsman**